



# State of Delaware GHIP

## FY12-FY17 Historical Lookback

June 26, 2017

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# State of Delaware GHIP FY12-FY17 Historical Lookback

## Overview

- During Fiscal Years 2014 and 2015, the GHIP experienced significant budget shortfalls that eroded the minimum reserve, leading to the creation of the State Employees Health Plan Task Force
  - \$142.3M fund equity balance for Fiscal Year 2013 was reduced to \$27.7M for Fiscal Year 2015
  - Led to significant increase in premium contributions during FY16 to reestablish minimum reserve
- Willis Towers Watson (WTW) reviewed GHIP historical revenues, expenditures and trend drivers to further explore the causes of the budget shortfall
- Willis Towers Watson received the following historical data from OMB:
  - FY12-FY16 actual budgets and estimated FY17 budget as of July 2016
  - Truven Health Analytics trend driver reports presented during September 24, 2015 State Employees Health Plan Task Force meeting
  - Truven Analytics trend driver analyses
    - Active Employees & Early Retirees, Fiscal Years 2014 & 2015 and Fiscal Years 2015 & 2016
    - Medicare Retirees, Fiscal Years 2014 & 2015 and Fiscal Years 2015 & 2016

# State of Delaware GHIP FY12-FY17 Historical Lookback

## FY12-FY17 Gross Claims and Revenue per Member

Plan Year	Gross Claims <sup>1</sup>		National Average Trend <sup>2</sup>	Premium Contributions <sup>3</sup>	
	Per Member Per Year	Annual Increase/ (Decrease)		Per Member Per Year	Annual Increase/ (Decrease)
FY12	\$5,009	4%	7%	\$5,088	-1%
FY13	\$5,056	1%	6%	\$4,979	-2%
FY14	\$5,488	9%	6%	\$5,120	3%
FY15	\$5,980	9%	5%	\$5,148	1%
FY16	\$6,190	4%	6%	\$6,021	17%
FY17	\$6,305	2%	6%	\$6,457	7%

- Detailed budget and expenditures by fiscal year shown in a separate attachment, based on GHIP Fund Equity reports

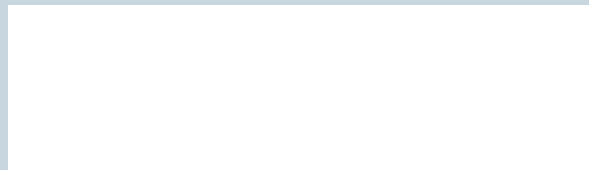
<sup>1</sup>Includes total medical and prescription drug claims for actives, pre-65 retirees and Medicare retirees; excludes claim offsets (e.g., Rx rebates and EGWP revenues).

<sup>2</sup>National Benchmark Source: Willis Towers Watson Emerging Trends survey. Based on respondents with at least 1,000 employees and median trends for medical and drug claims for active employees including both employer and employee contributions but excludes employee OOP costs.

<sup>3</sup>Includes State and employee share of health fund premiums for actives and retirees. Excludes other revenue sources and employee out-of-pocket costs.

## Trend Drivers – Active & Pre-65 Retirees

(Source: Truven Trend Driver Analysis Report for 9/24/2015 Health Plan Task Force Meeting)



# ANALYTIC PARAMETERS

- Active Self-Insured population (unless otherwise specified)
  - Actives and Early Retirees identified as Employee Status Group = 'Active & Early Retiree'
  - Self-Insured identified as Coverage Indicator Med = 'Y'
- Time Periods (unless otherwise specified)
  - Prior Year (PRY): reflects claims incurred May 2013 through April 2014, paid through July 2014
  - Current Rolling Year (CRY): reflects claims incurred May 2014 through April 2015, paid through July 2014
  - Data completed and annualized for claims incurred but not yet reported (IBNR)
- Self-insured group health medical, mental health and prescription drug claims data
  - Does not include admin fees, vision or dental claims
- High cost claimants defined as members who incurred \$100K or more in medical and drug allowed amounts during the calendar year
- Normative comparisons were made to the MarketScan™ database (i.e., Truven Health's book of business), unless otherwise specified
- Health risk scores were calculated using DxCG's diagnostic cost groupings, which use demographics and diagnostic information to assess risk; risk score is the concurrent non-rescaled value (a value of 100 represents the average for the nationwide dataset on which the model was developed)

Truven trend driver payments and trends do not align with those shown on slide 3 due to differences in reporting time periods and claim basis (e.g., incurred vs paid)

Source: Truven Trend Driver Analysis, Active & Early Retirees – September 2015 - Slide 2

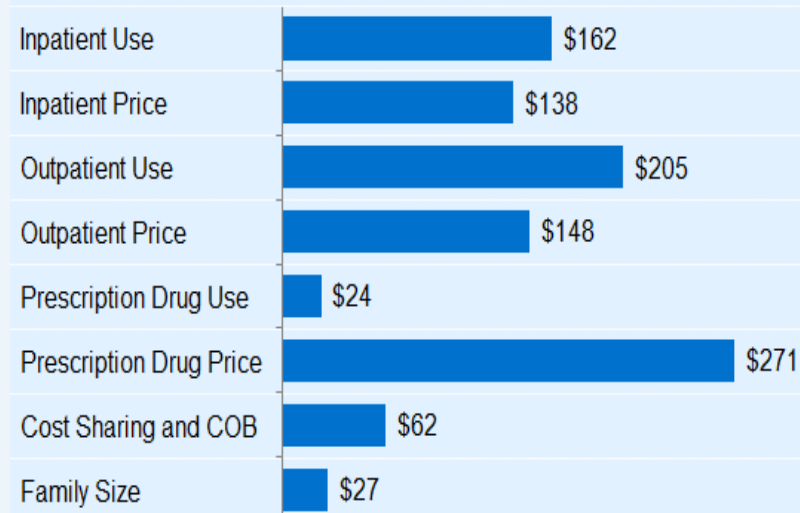


# DRIVERS OF NET PAYMENT PEPY TREND

State of Delaware net payments **increased \$1,038** per employee

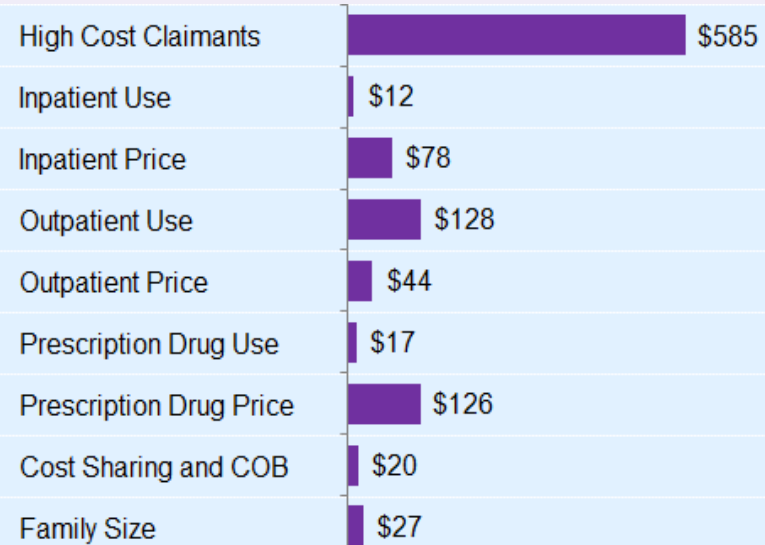
**Net Payment PEPY in CRY = \$13,234**  
**PRY-to-CRY Trend = 8.5%**

The factors driving this increase before breaking out the impact of high cost claimants:



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The factors driving this increase after breaking out the impact of high cost claimants\*:

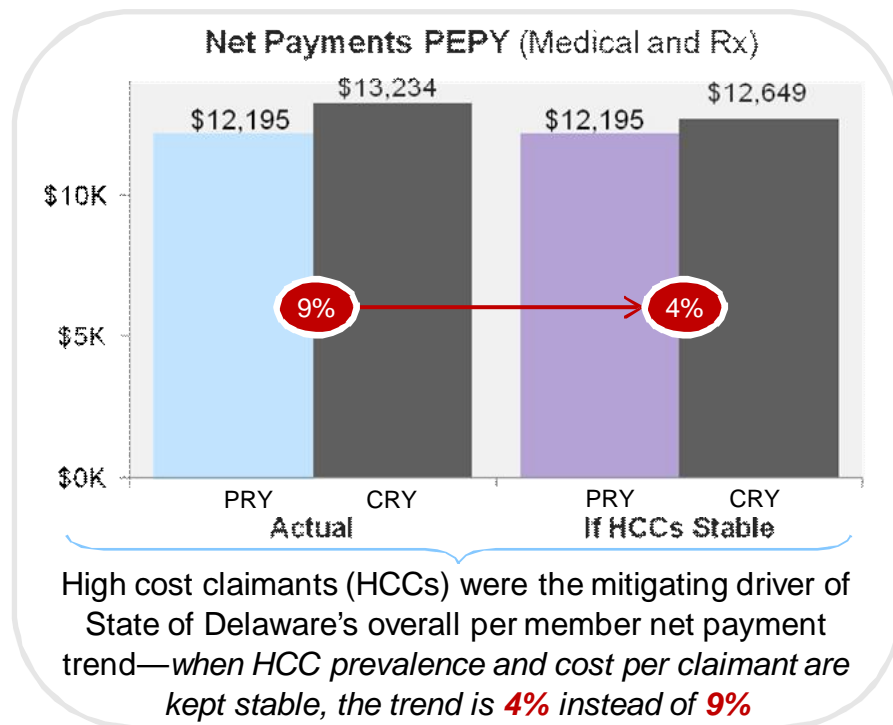


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*IP = Inpatient; OP = Outpatient; Rx = Prescription Drug; OOP = Employee Out of Pocket; COB = Coordination of Benefits (e.g., Medicare)*

\*High cost claimant (HCC) prevalence, cost, price and use rates kept stable to isolate HCC impact from other factors

# IMPACT OF HIGH COST CLAIMANTS



## What were the high cost claimant (HCC) prevalence, cost and condition trends?

- HCC prevalence rose 21% (to 6.3 HCCs per 1,000 members)
- Net payments per HCC increased 4% (to \$205,150)
- Chronic conditions accounted for 61% of HCC medical net payments in the CRY
- The top five medical conditions for HCCs were similar in both the years except for CAD and Cerebrovascular disease

PRY Top Clinical Conditions		HCC Med \$		Top Medical Conditions for HCCs (based on medical net payments)	CRY Top Clinical Conditions		HCC Med \$	
HCCs in PRY	Newborns, w/wo Complication	\$4.4M	5%		HCCs in CRY	Renal Function Failure	\$5.5M	5%
	Coronary Artery Disease	\$3.8M	4%			Newborns, w/wo Complication	\$4.8M	4%
	Renal Function Failure	\$3.6M	4%			Chemotherapy Encounters	\$4.2M	4%
	Chemotherapy Encounters	\$3.5M	4%			Cerebrovascular Disease	\$3.7M	3%
	Cardiovasc Disord, Congenital	\$3.5M	4%			Signs/Symptoms/Oth Cond, NEC	\$3.6M	3%
	All Other	\$71.5M	79%			All Other	\$87.8M	80%

\*The top three diagnoses in PRY for HCCs with "Signs/Symptoms/Oth Cond, NEC" were V5789 - Care involving rehabilitation px NEC, 7802 - Syncope & collapse and V552 - Attention to ileostomy and for CRY they were V5789 - Care involving rehabilitation px NEC, 79989 - Ill-defined condition NEC and V571 - Care involving other physical therapy.

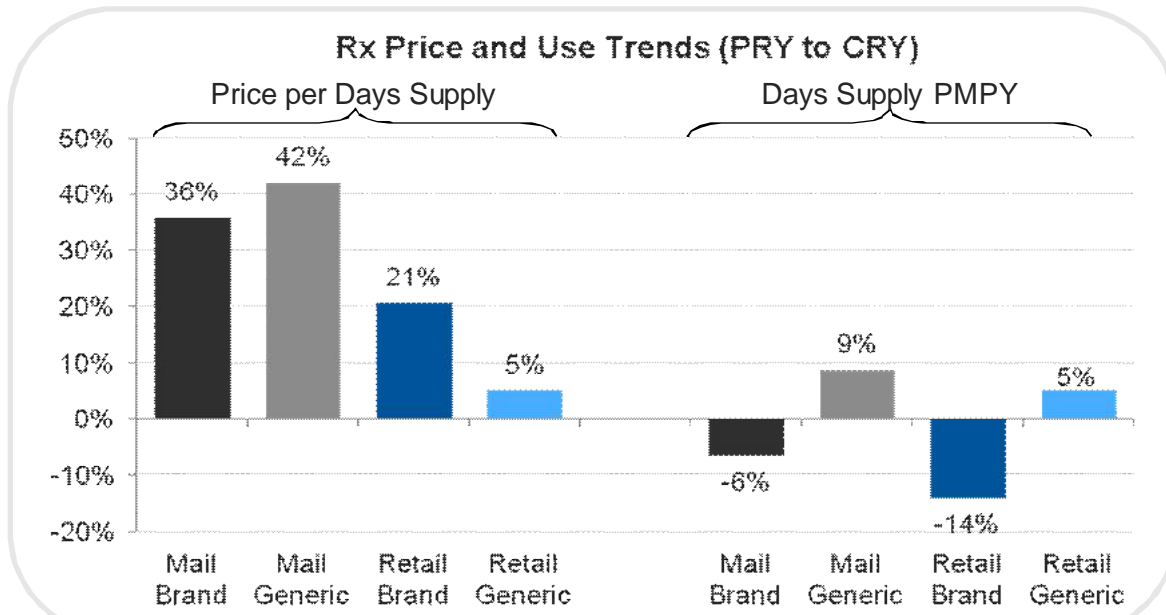
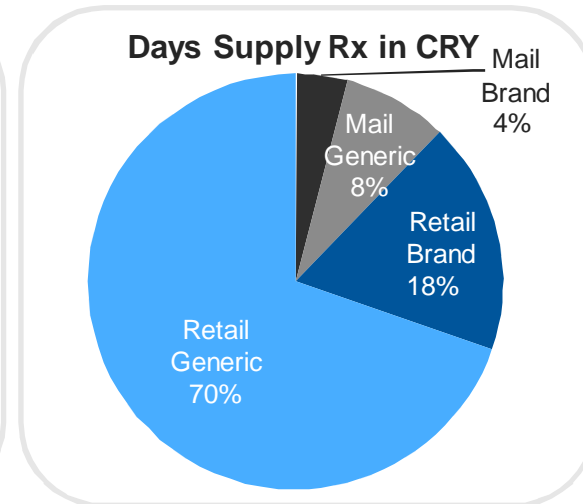
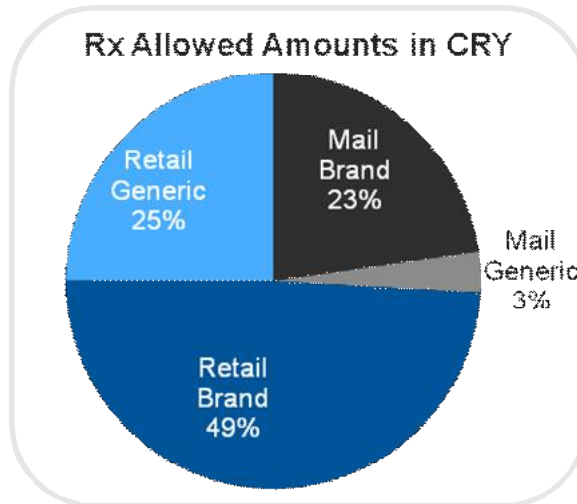
[willistowerswatson.com](http://willistowerswatson.com)

Source: Truven Trend Driver Analysis, Active & Early Retirees – September 2015 – Slide 9

# PRESCRIPTION DRUG EXPERIENCE

What were the primary drivers of the 10% increase in prescription drug price?

- The prescription drug price trend was driven primarily by high cost claimants (HCCs)—if HCC experience had remained stable, the overall Rx price increase would have been 5% instead of 10%
- Overall prescription drug price was favorably impacted by increased generic utilization in the CRY—generic fills accounted for 78% of days supply, up three percentage points from the PRY



Rx experience excludes EGWP revenue and rebates



## Trend Drivers – Medicare Retirees

(Source: Truven Trend Driver Analysis Report for 9/24/2015 Health Plan Task Force Meeting)

## ANALYTIC PARAMETERS

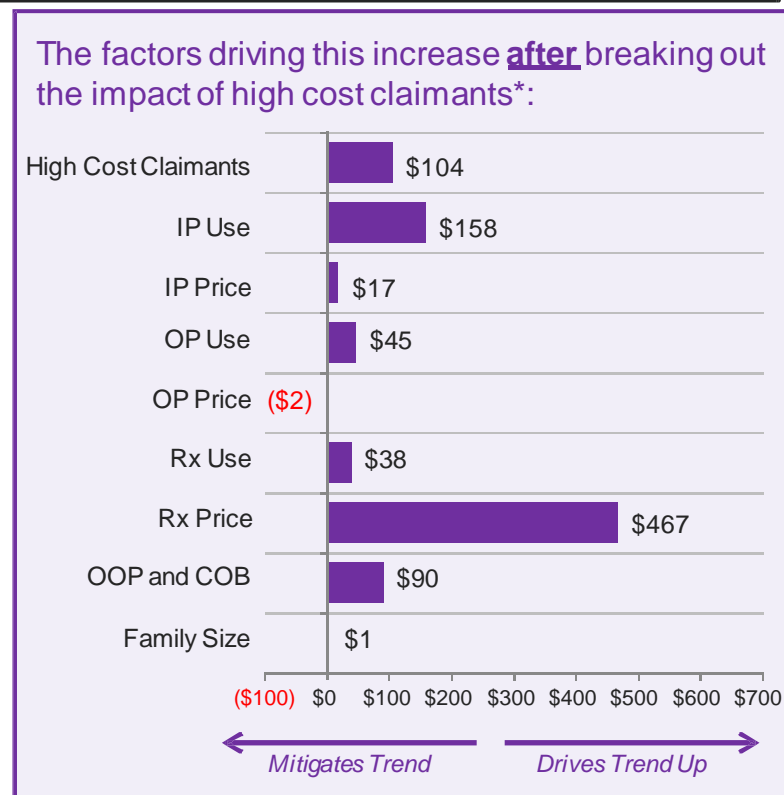
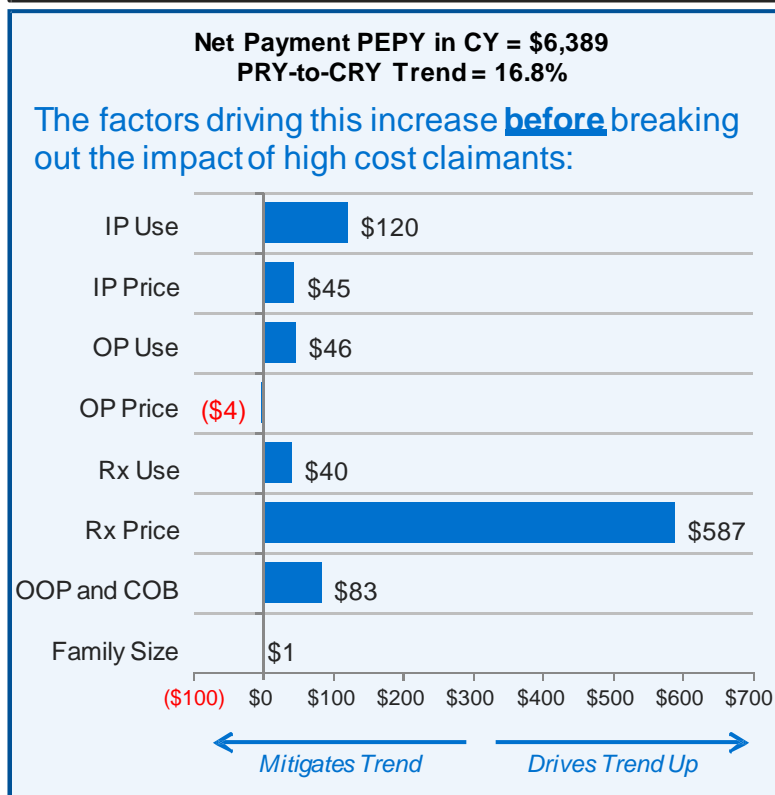
- Medicare Retiree population (unless otherwise specified)
  - Medicare Retiree identified as Employee Status Group = 'Medicare Eligible Retiree'
  - Self-Insured identified as Coverage Indicator Med = 'Y'
- Time Periods (unless otherwise specified)
  - Prior Year (PRY): reflects claims incurred May 2013 through April 2014
  - Current Rolling Year (CRY): reflects claims incurred May 2014 through April 2015
  - Data completed and annualized for claims incurred but not yet reported (IBNR)
- Self-insured group health medical, mental health and prescription drug claims data
  - Does not include admin fees, vision or dental claims
- High cost claimants defined as members who incurred \$100K or more in medical and drug allowed amounts during the current rolling year
- Normative comparisons were made to the MarketScan™ database and Truven Semi-Annual Employer Norms (i.e., Truven Health's book of business), unless otherwise specified
- Health risk scores were calculated using DxCG's diagnostic cost groupings, which use demographics and diagnostic information to assess risk; risk score is the concurrent non-rescaled value (a value of 100 represents the average for the nationwide dataset on which the model was developed)

Truven trend driver payments and trends do not align with those shown on slide 3 due to differences in reporting time periods and claim basis (e.g., incurred vs paid)

Source: Truven Trend Driver Analysis, Medicare Retirees – September 2015 - Slide 2

## DRIVERS OF NET PAYMENT PEPY TREND

State of Delaware net payments **increased \$917** per Medicare Retiree



*IP = Inpatient; OP = Outpatient; Rx = Prescription Drug; OOP = Employee Out of Pocket; COB = Coordination of Benefits (e.g., Medicare)*

\*High cost claimant (HCC) prevalence, cost, price and use rates kept stable to isolate HCC impact from other factors

# PRESCRIPTION DRUG EXPERIENCE

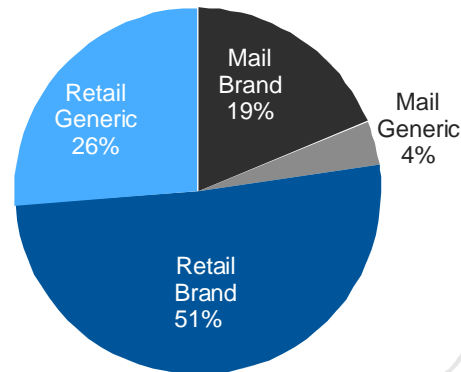
## What were the primary drivers of the 16% increase in prescription drug price?

- Brand fills accounted for 70% of Rx allowed amount in the CRY, while only accounting for 21% of the days supply in the CRY
- The prescription drug price trend was driven partly by high cost claimants (HCCs)—if HCC experience had remained

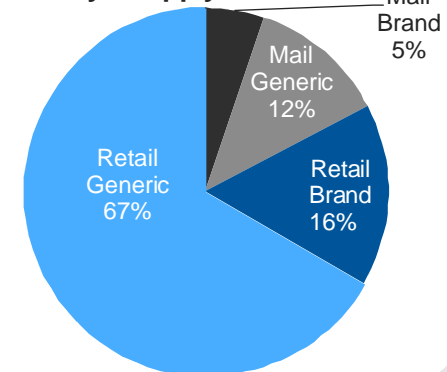
increase would have been 13% instead of 16%

- Mail Order accounted for 23% of Rx allowed amounts in the CRY, down 3 percentage points from the PRY

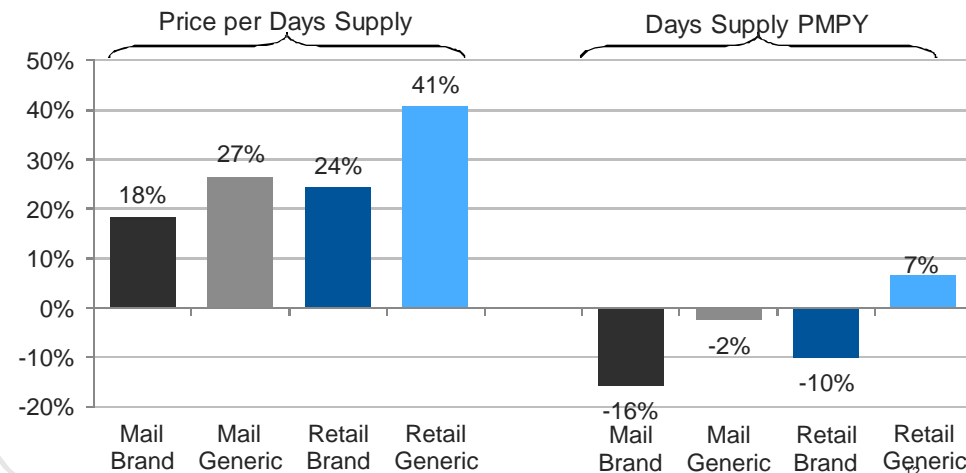
Rx Allowed Amounts in CRY



Days Supply Rx in CRY



Rx Price and Use Trends (PRY to CRY)



Rx experience excludes EGWP revenue and rebates

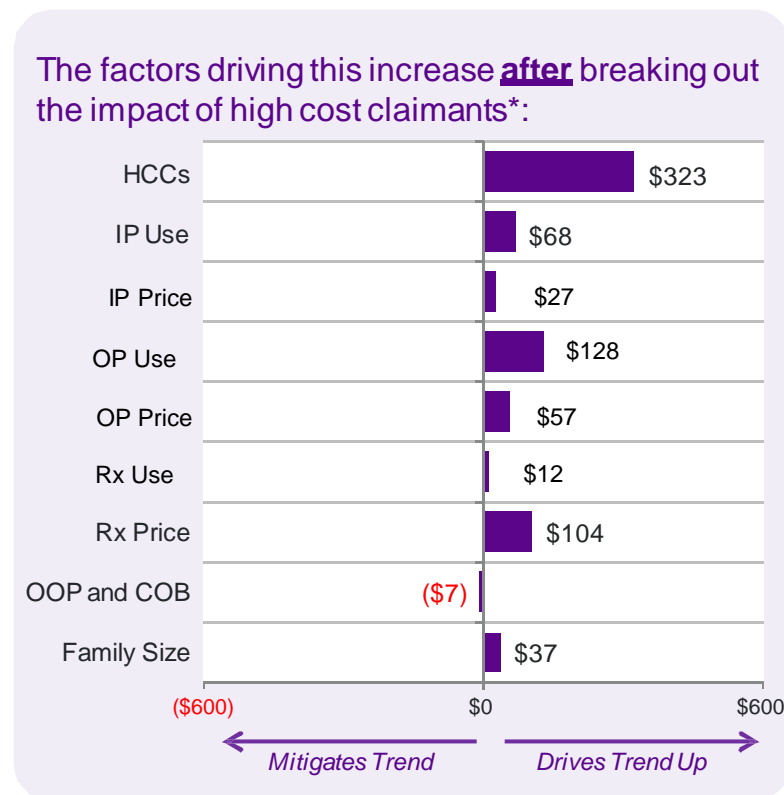
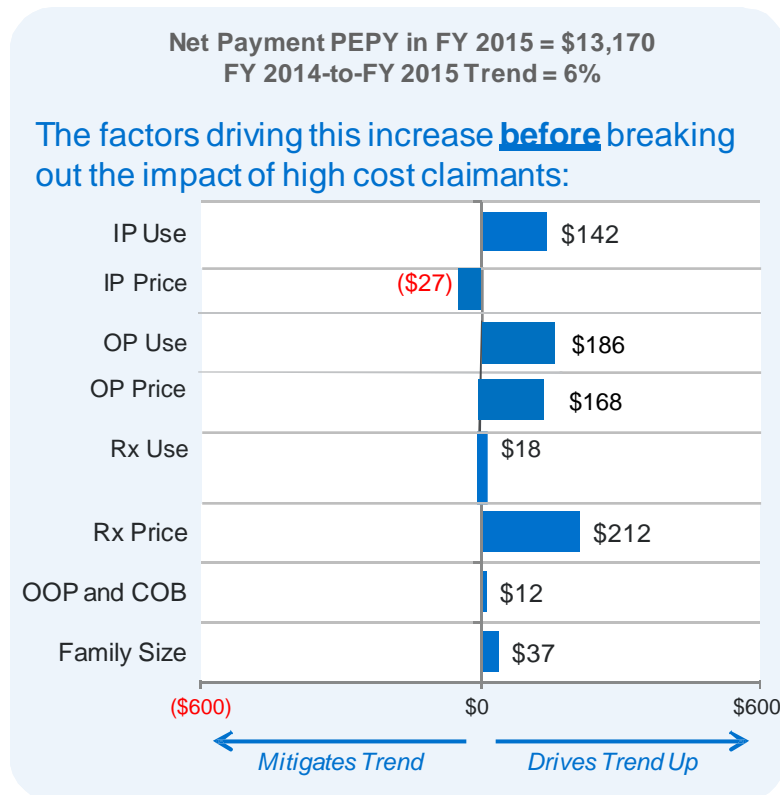
## Trend Drivers – FY14–FY16

(Source: Truven FY14-FY15 and FY15-FY16 Trend Driver Analysis Reports)



# Drivers Of Net Payment PEPY Trend Active & Pre-65 Retirees (FY14-FY15)

Delaware net payments increased \$748 per employee in FY 2015

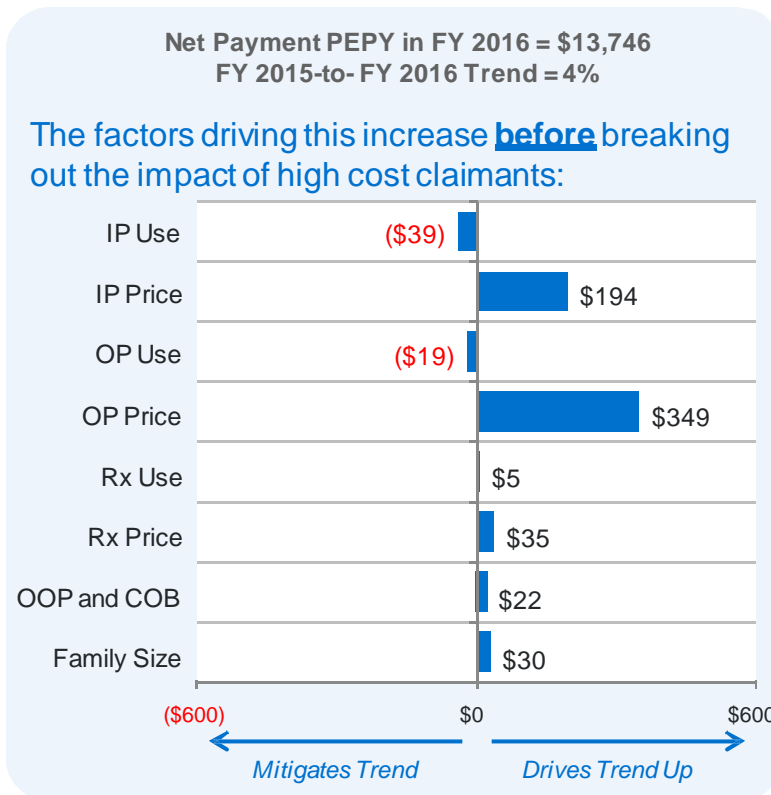


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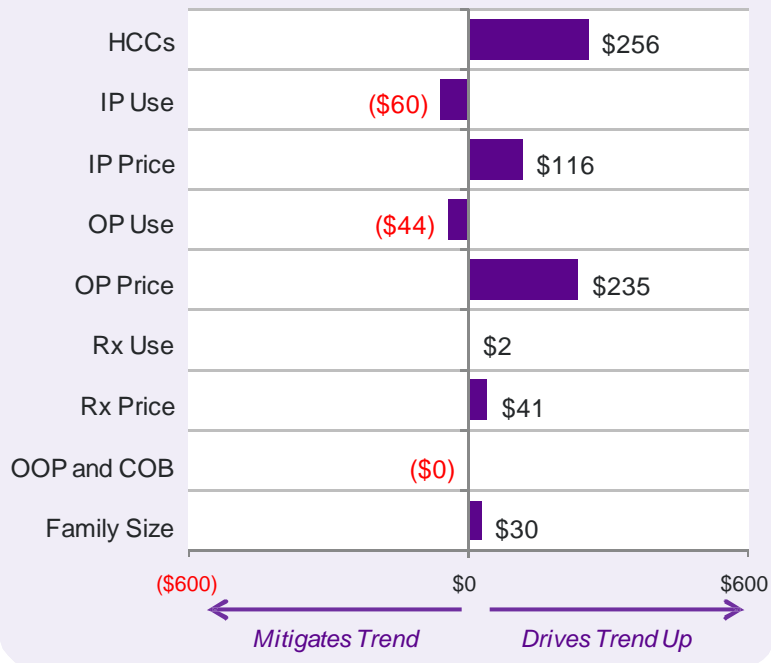
\*High cost claimant (HCC) prevalence, cost, price and use rates kept stable to isolate HCC impact from other factors

# Drivers Of Net Payment PEPY Trend Active & Pre-65 Retirees (FY15-FY16)

Delaware net payments increased \$576 per employee in FY 2016



The factors driving this increase **after** breaking out the impact of high cost claimants\*:

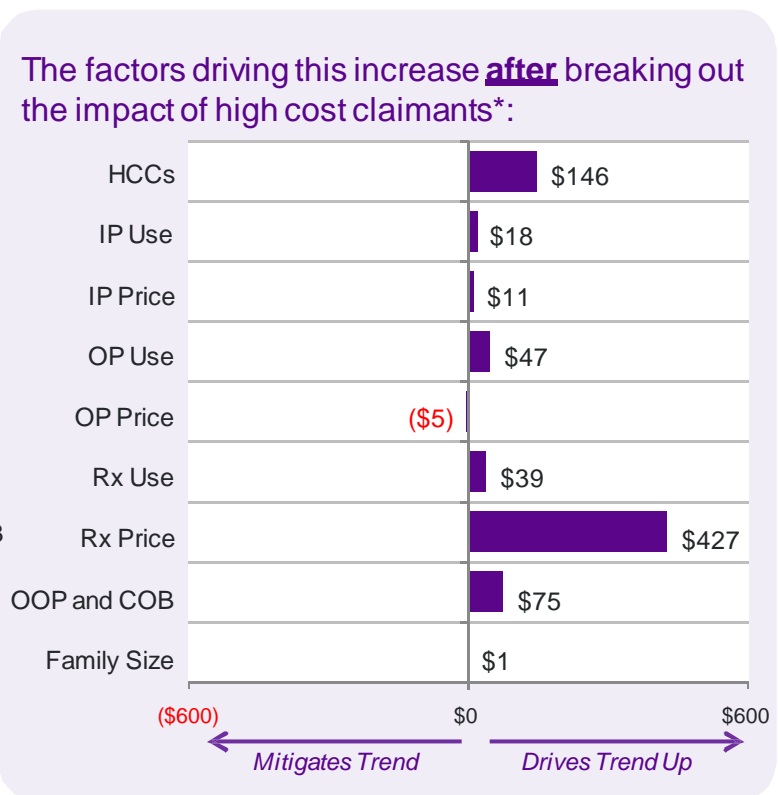
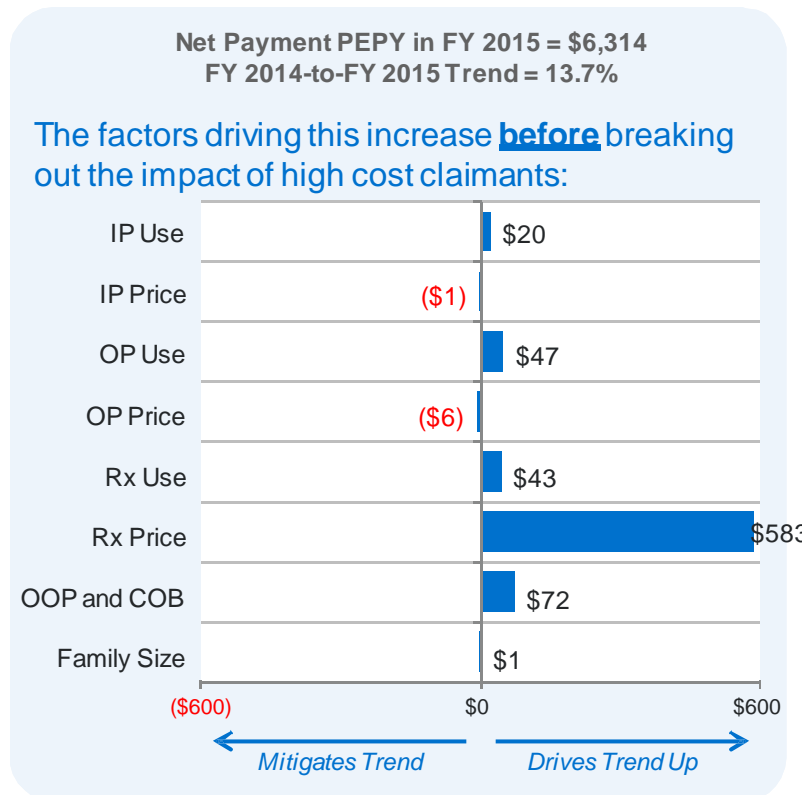


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# Drivers Of Net Payment PEPY Trend Medicare Retirees (FY14-FY15)

State of Delaware net payments increased \$759 per employee in FY 2015

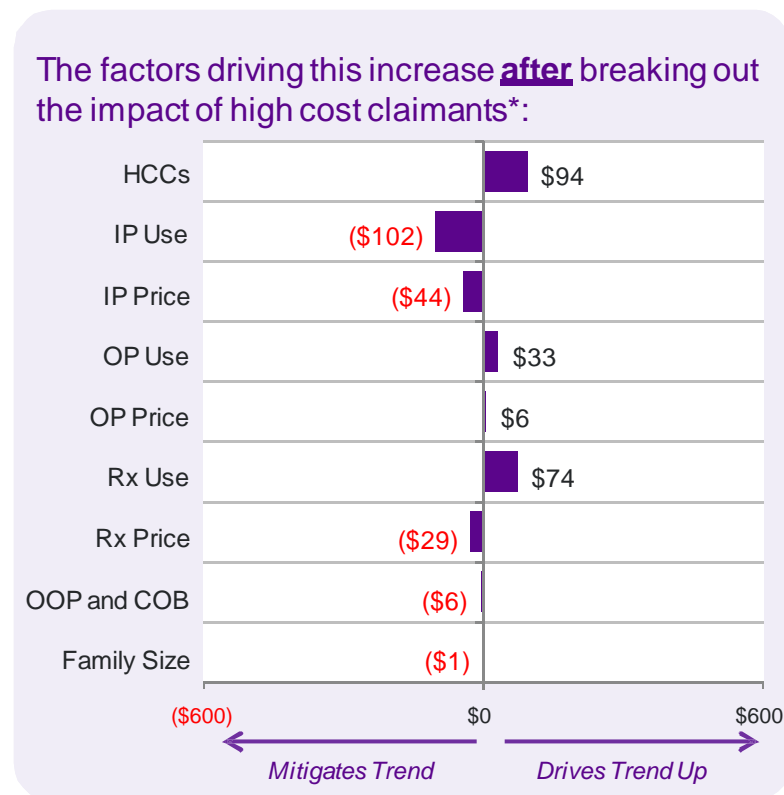
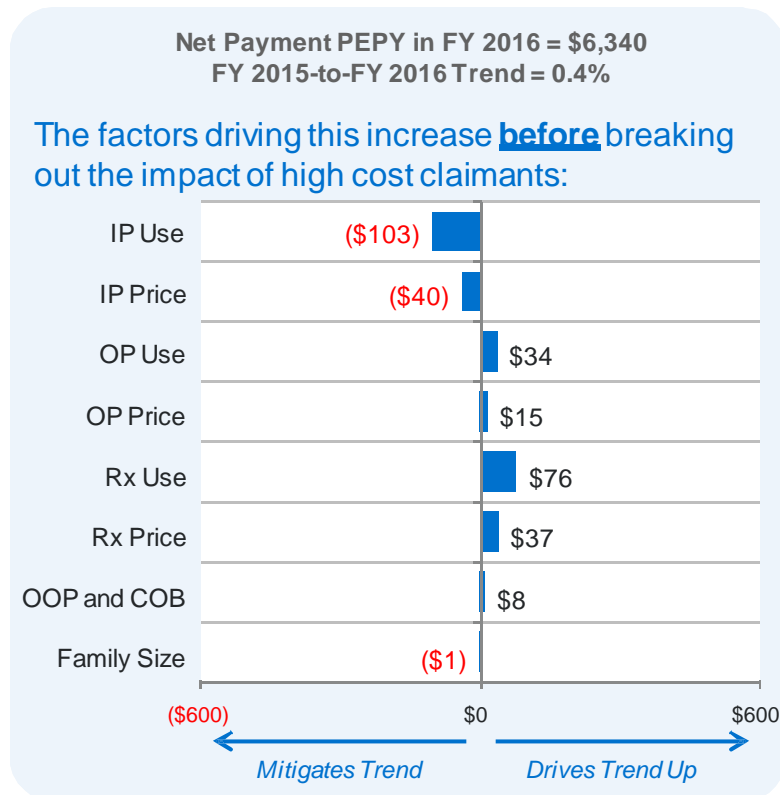


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\*High cost claimant (HCC) prevalence, cost, price and use rates kept stable to isolate HCC impact from other factors

# Drivers Of Net Payment PEPY Trend Medicare Retirees (FY15-FY16)

State of Delaware net payments increased \$26 per employee in FY 2016



IP = Inpatient; OP = Outpatient; Rx = Prescription Drug; OOP = Employee Out of Pocket; COB = Coordination of Benefits (e.g., Medicare)

\*High cost claimant (HCC) prevalence, cost, price and use rates kept stable to isolate HCC impact from other factors